# May 2024 Monthly Commentary

May was an incredibly frustrating month. My biases had been (and remain) that world soy stocks are in the process of growing from reasonably tight, to adequate, to burdensome over the next 12-18 months. While I still believe that to be the case, I also knew that there would certainly be rallies along the way, and we saw those in May.

Near-term cash dynamics overpowered mid- to longer-term S&D dynamics for most of the month. Farmers from all three major origins (US, Brazil, and Argentina) slowed farmer selling to historically low levels despite the forecast for larger stocks and thus lower prices in the future. They simply don't like that prices are lower than they have been for the past several years, and inflation and currency crosswinds seem to have further boldened their stance. The US market is feeling the impact of April (mostly) planned crush downtime and May (mostly) unintended downtime. This, combined with major flooding in Brazil and slow farmer selling in Argentina has firmed cash meal basis at the origin. Crush margins appreciated and crush will likely rebound in June, but it will take some time to resolve this tightness.

My research still suggests quite boldly that while the mis-timing of supply and demand has been a big factor in the near-term (driven by the factors mentioned above), these issues will be resolved. The process of going from tight to burdensome has been stalled for the time being. However, China and other world users appear to have bought or over-bought nearby supplies, suggesting demand will slow in coming months. US farmers will have their hand forced on unsold bushels prior to harvest due to a lack of storage for both old crop and new crop. US weather looks bearish at this time, with planting fears slowly subsiding (at least for beans), soils recharged with moisture, and June forecasts looking pretty benign. I still expect lower futures prices in the soybean complex over time.

While the soybean outlook remains bearish, there are some red flags on the grain side of the ledger. The most notable is poor weather in Russia, Ukraine and parts of Europe that are likely to drop exportable wheat surpluses to tight levels – leading to potentially increased US wheat exports. Corn exports should also benefit with wheat prices running away from feed demand in the EU and surrounding areas. Further, South American corn production and farmer selling remains a big question mark. While US corn exports should increase, there is some fear that the wet May weather may have led to some acreage shift from corn into soybeans and/or prevent plant. Countering all of this, however, is the bearish US weather as mentioned above on the vast majority of the corn that has or will shortly be planted. At this time, I'd view the corn market as neutral (and watching for the next sign), with wheat a bit more bullish (buy dips and keep an eye on world weather developments).

I still believe soybean and meal futures could be in a 12-18 month bear market, but nearby tightness could keep markets choppy in the short-term. Soybeans remain expensive against corn – something that I expect to reverse (soybeans should become cheap relative to corn) over the next several months – as always assuming that weather is normal.

Regards,

Mark Ditsch
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9047 Poplar Avenue, Suite 101
Germantown, TN 38138

newaccounts@ditschtrading.com
ditschtrading.com

T: 901-766-4446
F: 901-766-4406